

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
GLOBAL NAPs ILLINOIS, INC.)
) No. 01 -0445
Application to operate as a)
facilities-based and resold carrier)
of local telecommunications)
services statewide in the State of)
Illinois.)

Chicago, Illinois
August 14, 2001

Met, pursuant to adjournment, at 10:00 a.m.

BEFORE :

Mr. John Riley, Administrative Law Judge

APPEARANCES:

MR. JOHN POSTL, MS. ANN HARTMAN and
MS. CONNIE WHITEMAN
10 Merrymount Road
Quincy, Massachusetts
appearing via phone for applicant;

MS. KAREN BUCKLEY and MS. CINDY JACKSON
527 East Capitol Avenue
Springfield, Illinois
appearing via phone for ICC Staff.

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I N D E X

Witnesses:	Direct	Cross	Re - direct	Re- cross	By Examiner
A. Hartman		42			40
J. Postl					47

E X H I B I T S

Appl. Evidence	For Identification	In
1-3		49

1 JUDGE RILEY: Pursuant to the direction of the
2 Illinois Commerce Commission, I now call Docket
3 01-0445. This is an application by Global NAPs,
4 Illinois, Incorporated, to operate as a
5 facilities-based and resold carrier of local
6 telecommunications services statewide in the State
7 of Illinois.

8 Ms. Whiteman, are you counsel for Global
9 NAPs?

10 MS. WHITEMAN: No. I'm a consultant. I'm just
11 here to take notes. John Postl is their in-house
12 counsel, and Ann Hartman is their CFO.

13 JUDGE RILEY: Mr. Postl, do you want to enter an
14 appearance on behalf of Global NAPs?

15 MR. POSTL: I can do that. I'm not admitted to
16 practice law in the State of Illinois, but I'm
17 happy to enter an appearance and serve as the
18 company's counsel.

19 JUDGE RILEY: I can grant a pro hac vice motion.
20 That's not a problem. Go ahead.

21 MR. POSTL: Okay. Do you want me to make that
22 motion?

1 JUDGE RILEY: I'll accept the motion as it is.

2 MR. POSTL: All right.

3 JUDGE RILEY: I'll treat that as a motion as of
4 right now. I just need the appearance. That's
5 all.

6 MR. POSTL: Okay. John Postl, P-o-s-t-l, for
7 Global NAPs of Illinois, Inc.

8 JUDGE RILEY: Please state your address.

9 MR. POSTL: The company address is 10 Merrymount
10 Road, M-e-r-r-y-m-o-u-n-t, Road, Quincy,
11 Massachusetts, 02169.

12 JUDGE RILEY: Thank you. And, Ms. Buckley, you
13 are appearing without -- Staff does not have
14 counsel at this time, right?

15 MS. BUCKLEY: Right.

16 JUDGE RILEY: All right. This matter was
17 continued for the purpose of obtaining what have
18 been termed late-filed exhibits. And inasmuch as
19 this record is still open, these are not
20 late-filed. They are exhibits. The first one that
21 was submitted was Exhibit 2 which is certain
22 biographical information and management profiles.

1 Ms. Whiteman, I'm going to start with
2 you. There are no changes to these?

3 MS. WHITEMAN: No.

4 JUDGE RILEY: All right. And Staff had
5 indicated in an E-mail message to me that they were
6 satisfied with the filing and that they did not
7 need a hearing on the 14th. That was from
8 Ms. Jackson who had participated earlier.

9 Ms. Buckley, did you have any comment or
10 objection with regard to the management profiles?

11 MS. BUCKLEY: No. I don't have any objections.

12 JUDGE RILEY: Okay.

13 MS. BUCKLEY: I was very clear with that. Thank
14 you.

15 JUDGE RILEY: All right. That's not a problem.
16 The next order of business was Exhibit 3, and this
17 is the financial information.

18 Ms. Whiteman, you indicated that there
19 was a filing originally and then there was an
20 amended filing.

21 MS. WHITEMAN: Right.

22 JUDGE RILEY: Let me make absolutely certain

1 what we're talking about. The original filing came
2 in a letter July 27, 2001.

3 MS. WHITEMAN: Yes.

4 JUDGE RILEY: And had attached to it essentially
5 a summary of the financial performance and
6 condition of the applicant as of September 30,
7 2000. Is that essentially correct?

8 MS. WHITEMAN: Let's see. It was of the
9 applicant's parent company, Global NAPs, Inc.

10 JUDGE RILEY: Okay. That's the parent company.

11 MS. WHITEMAN: Right.

12 JUDGE RILEY: The applicants is Global NAPs
13 Illinois, Inc.

14 MS. WHITEMAN: Right.

15 JUDGE RILEY: Now, subsequent to that I believe
16 on a letter dated August 9, 2001, there was an
17 amended Exhibit 3 filed containing financial
18 information, and this is for Global NAPs Illinois,
19 Inc., the applicant; is that correct?

20 MS. WHITEMAN: Correct.

21 JUDGE RILEY: All right. Is anyone there to --
22 Ms. Hartman, were you the one who was going to

1 testify to it?

2 MS. HARTMAN: I can, sure.

3 JUDGE RILEY: Thank you.

4 (Witness sworn.)

5 ANN HARTMAN,
6 called as a witness herein, having been first duly
7 sworn, was examined and testified as follows:

8 EXAMINATION

9 BY

10 JUDGE RILEY:

11 Q. And my question is, did you cause this
12 financial information with regard to Global NAPs
13 Illinois and what has been marked as Applicant's
14 Exhibit 3 to be prepared by you, or was it prepared
15 at your direction?

16 A. It was prepared at my direction.

17 Q. Do you have a copy of that in front of you?

18 A. I have a copy on a computer screen. I
19 don't have a hard copy, so I can scroll through the
20 information, but it may take me a second.

21 Q. It does contain the same information,
22 however?

1 A. Yes.

2 Q. And as you look at that information now,
3 are there any changes, additions, deletions or
4 alterations that you would make?

5 A. No.

6 Q. All right. And does this accurately
7 reflect the financial condition of the applicant as
8 of this date and time?

9 A. It's a pro forma statement, so it's a
10 projection.

11 Q. It's a projected statement. All right.

12 A. Right.

13 Q. What are these figures based on?

14 A. The figures are based primarily on our
15 experience in operating Global NAPs subsidiaries in
16 other states, our experience now with over four
17 years of running a competitive local exchange
18 company. This is our best guess of how this
19 company will look come December 31, 2001.

20 JUDGE RILEY: Okay. Ms. Buckley, I'm going to
21 turn it over to you for examination. Do you have
22 any questions for Ms. Hartman?

1 MS. BUCKLEY: A couple of simple questions.

2 CROSS-EXAMINATION

3 BY

4 MS. BUCKLEY:

5 Q. I was familiar with pro forma income
6 statements; however, I was really not familiar with
7 a pro forma balance sheet which consists of, just
8 like a normal balance sheet, of assets and
9 liabilities and equity. What is the basis that you
10 make this pro forma for the current assets and
11 equipment, and could you elaborate on that for me a
12 little?

13 A. Sure. It's really a left hand and a right
14 hand. You really cannot analyze a company by
15 simply looking at an income statement. You need a
16 way to look at the asset structure of a company.
17 Now, this is a pro forma balance sheet. We know
18 how the company will be capitalized, but we have to
19 make certain assumptions on the income side as to
20 what the revenue is going to be.

21 Well, you can't produce revenue without
22 fixed assets. So the second part of the task

1 becomes taking an educated guess, a way of making
2 assumptions as to how much equipment will be
3 needed, how much debt to support it, how are
4 customers going to pay you, and all of those
5 assumptions go into the accounts payable,
6 receivable, the liabilities. It is pro forma; it's
7 a guess, but it's the second half of what you need
8 when you're looking at a balance sheet -- at an
9 income statement.

10 JUDGE RILEY: Let me interrupt here just for a
11 second. Did someone else join us in this?

12 MS. JACKSON: It's just Cindy Jackson. I'm just
13 going to listen in.

14 JUDGE RILEY: Thank you. Okay. No problem.
15 Please continue.

16 MS. BUCKLEY: Q I remember I had a conversation
17 with two members probably in this hearing. I don't
18 really remember who exactly was present at that
19 phone conversation when I requested a financial
20 statement according to GAAP. I remember someone
21 mentioned that the owner of Global NAPs was going
22 to place \$100,000 into Global NAPs Illinois just

1 from here and going on forward.

2 A. All right. I wasn't part of that
3 conversation.

4 Q. Okay. And when I received this pro forma
5 statement, that's where I got lost.

6 A. Well, if you look at the balance sheet and
7 look at the entry for capital stock, you see
8 \$100,000.

9 Q. Yes, 100,100.

10 A. 100,100, right.

11 Q. Yes.

12 A. Well, that represents the capital stock on
13 a pro forma balance sheet and represents an initial
14 investment.

15 Q. Okay. So that part is an initial
16 investment that is going to take place?

17 A. That's right.

18 MS. BUCKLEY: All right. It is more clear to me
19 now. Thank you. I don't have any more questions.

20 THE WITNESS: You're welcome.

21 JUDGE RILEY: Just going back very quickly, Ms.
22 Jackson, we had made reference to your memo of a

1 couple days ago, an E-mail as a matter of fact,
2 that you were satisfied with the biographical
3 information that had been submitted; is that still
4 correct?

5 MS. JACKSON: Yes, that's correct.

6 JUDGE RILEY: Okay. Thank you. Ms. Buckley, is
7 it my understanding you have no further questions
8 with regard to the financial data?

9 MS. BUCKLEY: That's right, sir.

10 JUDGE RILEY: Might I ask then, do you have a
11 recommendation with regard to the application of
12 Global NAPs Illinois, Incorporated?

13 MS. BUCKLEY: I recommend they should be able to
14 operate and have business here in Illinois.

15 JUDGE RILEY: Then you have no objection to the
16 issuance of a certificate based upon their
17 financial qualifications?

18 MS. BUCKLEY: No, sir.

19 JUDGE RILEY: Ms. Jackson, did you want to make
20 a recommendation of any kind?

21 MS. JACKSON: I have no objection to granting of
22 the application.

1 JUDGE RILEY: All right. Thank you. Folks, if
2 you could just bear with me for a few minutes, I
3 just want to confirm a few other pieces of
4 information.

5 MS. WHITEMAN: Sure.

6 JUDGE RILEY: Mr. Postl, I believe I had you
7 under oath before.

8 MR. POSTL: I'm not sure.

9 JUDGE RILEY: Let's do it formally then.

10 (Witness sworn.)

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16 JOHN POSTL,

17 called as a witness herein, having been first duly
18 sworn, was examined and testified as follows:

19 EXAMINATION

20 BY

21 JUDGE RILEY:

22 Q. I want to go back to the exhibits. And the

1 applicant had submitted certain standard questions,
2 and they were marked Attachments A, B and C, and I
3 had marked them as Exhibit 1, standard questions
4 for applicants seeking local exchange service
5 authority, Appendix A; 9-1-1 questions for
6 applicants seeking local exchange service
7 authority, Appendix B; financial questions for
8 applicants seeking local exchange service
9 authority, C. And it's my understanding that you
10 had adopted that as your testimony without change?

11 A. Yes.

12 Q. All right. Is that still correct?

13 A. Yes. Just to be clear, I believe
14 originally that was the testimony of William Rooney
15 who's the general counsel who gave testimony the
16 last time we were at the hearing, but I can --

17 Q. I believe you're correct. I do believe
18 you're correct.

19 A. For purposes of this, I can adopt his
20 testimony as my own.

21 Q. No. We already have that. I'm glad you
22 pointed that out. We're already covered there.

1 We're okay there.

2 Then Exhibit 2 is the biographical
3 information that had been submitted, and Exhibit 3
4 is the financial information that had been
5 submitted and which Staff has, in both cases, found
6 acceptable. Then I would like to -- I take it then
7 that you are motioning for the admission of
8 Exhibits 1, 2 and 3 into evidence in this matter;
9 is that correct?

10 A. That would be 1, 2 and amended Exhibit 3.

11 JUDGE RILEY: Right. Amended Exhibit 3. Thank
12 you for pointing that out. Staff, do you have any
13 objection to any of these exhibits?

14 MS. BUCKLEY: No, sir.

15 MS. JACKSON: No, I have no objection.

16 JUDGE RILEY: Thank you. Then all three
17 exhibits are admitted into evidence.

18 (Whereupon, Applicant's
19 Exhibit Nos. 1-3 were
20 admitted into evidence.)

21 JUDGE RILEY: Let me check my notes and make
22 sure that we have everything covered here.

1 Q. Mr. Postl, will the applicant adhere to all
2 federal and state regulations and rules with regard
3 to slamming and cramming?

4 A. Yes, it will.

5 JUDGE RILEY: All right. Again, I note that the
6 exhibits are not late-filed because the record is
7 still open, but they have been admitted.

8 That is all the questions that I have
9 then.

10 Staff, did you have anything further?

11 MS. BUCKLEY: No, sir.

12 MS. JACKSON: No, I do not either.

13 JUDGE RILEY: Thank you. I will direct the
14 court reporter to mark this matter heard and taken.

15 HEARD AND TAKEN.

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